

## Economic Survival in a Natural Disaster - Updated: June, 2014

There is a lot of talk in the media about natural disasters. In the past year the United States has faced hurricanes, flooding, tornados and fires. The first thing on the mind of anyone who goes through a disaster is physical survival. But what very few people consider is economic survival. Just because you lose all of your physical possessions doesn't mean that you have to lose everything that you have worked for all of your life. But in order to survive economically, you need to do some pre-planning.

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Natural disasters can take many forms and they are not all created equally. Some are highly localized, such as a tornado, while others will disrupt large geographic areas. These types of disasters include hurricanes and earthquakes.

Both the federal and state governments are preparing for a wide variety of disasters that involve communicable diseases. Bird flu, SARS, MERS and other diseases are being closely watched. Scientists at the World Health Organization (WHO), the Centers for Disease Control (CDC), and the Department of Health and Human Services (HHS) are all in agreement on one point. It is not a matter of "if" this type of disaster will happen, but a matter of "when".

In January, 2006, at a conference of nations concerned about bird flu which was held in China, \$1.9 billion was pledged to stop the spread of that one disease. HHS estimated at the time that as many as 2 million Americans could die if the disease became a pandemic that was transmitted from human to human. It would be an unparalleled disaster both in terms of death and the economy.

So what can you do to insure your economic survival? We're going to take a look at what I would call "normal" disasters and then we'll look separately at the bird flu and other diseases.

## Your Everyday Natural Disaster

### Surviving the First Few Days!

If you have just lost your house to a disaster, you may think that the area which the disaster impacts is irrelevant. It is not. The wider the area of coverage, the more likely it is that you will see significant disruptions in services, such as phone and electricity.

Disasters that cover wide areas also place considerably more strain on government services. Hospitals may fill up or have to be evacuated. Police, fire and ambulatory services may be stretched to the point they are nonfunctional.

One thing that very few people ever think about until it is too late is that ATMs in the disaster area will probably not work.

The downside of living in an electronic economy is that we have become slaves to it. When the power goes out, or when phone services don't work, the disruption is enormous. To prepare for a disaster, you really need to figure that you will be on your own for up to a week.

This means that you will need to stockpile food and first aid supplies. But it also means that you need to keep some cash on hand. Not only will you find that ATMs don't work, but it is unlikely that credit cards will work either. Most merchants are completely reliant on electronic processing for credit and debit cards. The only way that you will be able to make a purchase in a disaster zone is with cash.

So how much do you keep on hand? Only you can answer that question but you definitely don't want to have too little. Figure out how much money your family uses in a normal week and then double or triple that amount. You can figure that you will need to make some unforeseen purchases, and you may also face price gouging. Just remember when you are going through this exercise that you are "planning" for a disaster.

The benefit of this is that you don't have to put all of your money aside all at once. Furthermore, you don't need to buy all of your supplies all at once. But you do need to start doing both, and give yourself a timeframe to complete the entire process. Then stick to your timeframe. After you have your money on hand, don't use it for any purpose other than a disaster. And make sure that you put it in a place that will survive even if your house doesn't.

### Surviving the Long Term!

In order for you to survive economically over the long term, you also need to be prepared.

There are a few things that are extremely important. Your insurance policies are at the top of this list. You should keep copies of all of your insurance policies in a safe place that you can easily grab if you have to leave your home. You may

also want to make copies of the policies and send them to a relative or friend that lives in another area of the country.

You should take pictures of the things that you own, and keep them with your insurance policies. Pictures are one thing that insurance companies have trouble arguing with. If you have a digital camera, there are a number of free websites that will allow you to upload your pictures and store them for free. The more pictures you have, the better.

When you are putting all of this together, make sure that you have enough insurance, as well as the right kind of insurance.

Right now, it costs about \$250 per square foot to rebuild a home in a major metropolitan area. That doesn't include the furnishings.

And a standard homeowner's policy will not cover every disaster. For instance, earthquakes require an earthquake policy rider. Likewise for hurricanes. Flood insurance is a completely separate policy and is only available from the federal government. If you don't have the right insurance, you're in trouble.

One thing that you should look to see is if your policy has an Additional Living Expense (ALE) rider. If you can get this, then you should consider it. ALE can pay for the rent of a comparable home while you go through the rebuilding process. It can also pay for the rental of furniture.

Another thing to look at is a Code Upgrades Rider. A regular insurance policy will only pay to rebuild your house on an "as is" basis. If your home was constructed in 1950, it's a safe bet that the building codes in your area have changed. These changes normally increase the cost of rebuilding. If you want your insurance to cover these upgrades then you need this rider.

You should also look at getting Replacement Cost Coverage for the contents of your home. Insurance typically pays out on a depreciated basis. This means that if you have a stereo that cost \$300 when you purchased it five years ago, but you can buy the same system on eBay for \$50 today, then \$50 is what you will get. Replacement cost coverage addresses this issue. Only a few companies will offer this type of coverage and it is not cheap, but it can be well worth the price if you ever do lose your home.

When a disaster hits, don't blindly pick up the phone and report it to your insurance company without first having some understanding of the amount of damage you have suffered. Then compare this to the appropriate policy. If your damage doesn't exceed your deductible, then you don't want to involve the insurance company at all.

The reason for this is very simple. Insurance companies use a database called CLUE to track homes that have been damaged. Once your house shows up in CLUE, it may hurt your resale price or, in the case of water damage, make your home uninsurable. This may not seem fair but it is a fact. So do your homework prior to reporting.

Once you do make a report to your insurance, you don't have to take what they offer you. Your insurance company will try to keep their costs down. They may do this by steering you to certain contractors, or using cheaper building materials. If you think that you are not being handled fairly, then it may be time to hire a public adjuster.

Public Adjusters become your advocate with the insurance company. They fight long and hard to get you the best deal. They typically charge a percentage of the amount that they collect but, because of their expertise, you will almost certainly come out better by using a public adjuster when you suffer a major loss. Just make sure that you check their references prior to hiring them. Scam artists are a dime a dozen after any major calamity.

Protecting Your Credit in a Disaster!

After you have made it through the first few days of a disaster, your access to credit may become a real lifesaver. But you will need to take action in order to protect it.

No credit grantor wants to be reported as being a "bad guy" when a disaster strikes. Virtually all credit grantors will be willing to work with you to protect your credit, but action will be required on your part.

Call your creditors and explain your circumstances. If you mailed a bill just prior to a disaster, call and make sure that they received payment. If you have bills due shortly after a disaster, let them know if your bank is closed, or the post office isn't open, or you have no access to checks because you lost your home. They will work with you. Normally they will agree to postpone payments, waive late fees, and not report late payments or do anything else that will hurt your credit. But you do need to make the call.

So, What about the communicable diseases?

Communicable diseases may seem like an odd topic for ACCESS to cover, but the economic ramifications of some sort of pandemic in the United States is just too high for us to ignore.

Take the bird flu. Here is a little history on the state of the disease, what can be expected, and what you can do to protect yourself economically.

First of all, the term bird-flu may be a bit off. That's because flu actually originated in birds. The term really refers to strains of flu that are new and can only be passed from one bird to another. At some point, these flu strains mutate; first gaining the ability to be passed from a bird to a human, and eventually being able to be passed from one human to another. When this happens, these strains can be extremely lethal to people. This how pandemics begin.

Flu pandemics have happened before. In 1957 and 1968, there were relatively small pandemics. But in 1918, the Spanish Flu became the most deadly disease in history. It killed between 30 and 40 million people worldwide. In the United States there were 675,000 deaths; 200,000 of these happening in a single month.

Starting in 1997, a new strain of flu known as H5N1 was seen in birds in Hong Kong. This strain had some disturbing characteristics. First, it was 100% fatal to the birds that contracted it. Second, it had the ability to be passed from birds to humans. And finally, more than 50% of the people who have contracted the disease have died from it.

Authorities in Hong Kong were able to contain the disease in 1997, but it reappeared in 2003 and containment may no longer be an option. Between 2003 and late 2005, the disease infected more than 140 people in China, Thailand, Vietnam and Indonesia, killing more than 70 of them. But in October of last year, H5N1 migrated out of Southeast Asia and arrived in Turkey. And the Turkish version of H5N1 has mutated in a way that makes it much more infectious to humans. The Turkish strain has also been found in the Ukraine.

## The Economic Consequences

Turkey was the first country to experience severe economic consequences as a result of bird flu. The country has a \$2.5 billion poultry industry. Shortly after the disease was reported there, sales of poultry products in Turkey fell by 65%. The Turkish outbreak caused the European Union to ban the importation of Turkish poultry products and led to unemployment among those who work in the poultry industry in Turkey.

Now, compare that with a \$35 billion poultry industry in the United States and you begin to get the picture.

But the poultry industry is only a small fraction of what can be expected if H5N1 begins to infect the general populations of Europe and North America. Virtually all segments of the economy are expected to suffer. The World Bank estimates that the total cost of such a pandemic will exceed \$800 billion worldwide.

### Protecting Yourself Economically

Unfortunately, the things that you can do to protect yourself in the event of a pandemic are limited. But that doesn't mean that there is nothing that you can do.

Both the federal government and the various state governments are working on plans to deal with a pandemic. All of these plans have some things in common. They include quarantining those infected, restrictions on travel, school closures and advising people to work from home.

With regard to a flu pandemic, the US Government is advised consumers through its pandemic flu website to prepare to be on their own for up to 13 weeks. That advice was given in 2006 and is still good. This means that you need not only food but other supplies including any prescription or over the counter drugs that you take. And consumers should be prepared to face shortages of certain goods.

Once again, in any type of pandemic, cash will probably be king. While the government does not anticipate long term outages of things like phone service and power, short term disruptions may occur. As with other disasters you will want to have enough cash on hand to make emergency purchases.

One thing that you can do to protect your family is updating your life insurance policy if you have one, and updating or establishing a Will.

It is unknown whether H5N1 will ever be able to be transmitted from one person to another, or if it will be the next great pandemic. In fact, it is probably just as likely that some other disease could be introduced to the country through a terrorist attack as it is that some naturally transmitted disease show up here. The point here is to be prepared for these events. Anyone who waits until after a disaster... any type of disaster... to prepare is probably going to be left out in the cold.

by Jim Malmberg

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